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**Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples**

# Cayman Islands

**Working paper prepared by the Secretariat**

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# I. General

1. The Territory of the Cayman Islands[1] is located some 180 miles west of Jamaica and about the same distance south of Cuba. It comprises three islands: Grand Cayman (76 square miles), Cayman Brac (15 square miles) and the adjacent and largely undeveloped Little Cayman (11 square miles).

2. According to the Economics and Statistics Office of the Cayman Islands, the population of the Territory in 2003 was 44,144, which is an increase from 43,004 in 2002.[2] An estimated 25 per cent are of African descent, 20 per cent are of European descent and the remainder are mixed.

# II. Constitutional, legal and political issues

3. The Cayman Islands is a Non-Self-Governing Territory (Overseas Territory) under the administration of the United Kingdom of Great Britain and Northern Ireland. The Constitution of 1959 was revised in 1972, 1992 and 1994. Under the Constitution, the Governor, who is appointed for four years by the British monarch, is responsible for external affairs, defence, internal security and the public service. The Governor is the Chairman of the Executive Council, which comprises three members appointed by the Governor, namely the Chief Secretary (until 1992, the Administrative Secretary), the Financial Secretary and the Attorney General, and five members elected by the Legislative Assembly. The Executive Council is responsible for the administration of government. The Governor assigns ministerial portfolios to the elected members of the Executive Council. The Legislative Assembly comprises three official members designated in the Constitution and 15 members elected by universal adult suffrage for a period of four years. Since 1991, a Speaker is elected to preside over the Assembly.

4. The Governor of the Cayman Islands, Bruce Dinwiddy, was appointed in May 2002.

5. Until 2000 there were no formal political parties in the Territory and the following loose groupings acted as political organizations: National Team, Democratic Alliance and Team Cayman (see A/AC.109/2003/9, paras. 7-8). Following the defeat of the National Team in the general elections held in 2000, a majority of the Legislative Assembly members formed a political party, the United Democratic Party (UDP), on 5 November 2001. The opposition formed a second party, the People's Progressive Movement (PPM) in 2002. Mr. McKeeva Bush of UDP became the Leader of Government Business.

6. The judicial system is based on British common law, certain British statutes and local statute law. There is the Grand Court (with Supreme Court status) and the Summary Court, which includes criminal, civil, family, youth and coroner's court. Appeals lie with the Court of Appeal of the Cayman Islands and, beyond that, with the Privy Council in London.

7. As was reported in previous working papers (A/AC.109/2002/7, paras. 11-14; A/AC.109/2003/9, paras. 10-19; and A/AC.109/2004/15, paras. 8-12), the constitutional review process in the Territory continued with issues related to the electoral law, and in particular to the electoral districts, being at the heart of the discussion. Recommendations of the Boundary Commission on the mapping of

electoral districts that were passed by the Legislative Assembly of the Cayman Islands in December 2003 have not yet been approved by the United Kingdom.

8. In July 2004, the Elections Law (2004 Revision) was enacted. The law modernizes the Cayman Islands election system, but does not include any significant amendments relating to electoral districts. The Act contains new provisions for the registration of political parties and makes revisions to the election expenses laws. The Act also contains provisions relating to the registration of voters, requiring Caymanian citizens to register to vote, as well as provisions concerning practical arrangements for elections, political broadcasting, the publication of statistical information, election petitions and election offences.[3]

9. The Territory's general election was due to be held in November 2004; however, it was postponed until May 2005 following the devastation caused by Hurricane Ivan in September 2004. The election in 2005 will be the first election to be contested by political parties following a 2004 revision of the election laws.

10. The British Overseas Territories Act that came into force in 2002 (A/AC.109/2002/2/Add.1) grants the right to full British citizenship to all inhabitants of the Territories and formally abolishes the term "colony" and "dependent territory" in favour of "Overseas Territories". That law allows the Cayman Islanders to hold British passports and work anywhere in the European Union.

11. In July 2004, the United Kingdom Privy Council enacted an amendment to the Constitution of the Cayman Islands designed to correct an anomaly created by the British Overseas Territory Act 2002, which would have disqualified eligible people holding both British Overseas Territories citizenship and British citizenship from standing for election in the Cayman Islands.[4]

## III. Budget

12. As was reported in last year's working paper (A/AC.109/2004/15, paras. 13-19), in 2003 the Financial Secretary announced major reforms, which included a number of changes in the budgetary process. Following the reform, the new 2004/2005 budget was prepared for the first time on an accrual rather than on a cash basis.

13. As the 2004/05 budget presented by the Financial Secretary in May 2004 was prepared prior to Hurricane Ivan striking the Cayman Islands in September 2004, the projected figures as presented in May 2004 have changed significantly due to the immediate and ongoing effects of that natural disaster.

14. Within the framework of reform, the budgetary policy of requiring statutory authorities and government companies to comply with the same fiscal discipline as ministries continued. The "payment on delivery" concept that was introduced in July 2004 means that ministries and programmes no longer receive automatic funding. Under the new policy, before ministries and programmes receive funding from the Cabinet, they must demonstrate that they have delivered their agreed outputs or services.[5] The legislation implementing the same concept for the civil service, which is due to come into effect in July 2005, gives the civil service one year to implement and develop the performance management system before it becomes mandatory.[6]

15. The Government forecast revenues for 2004/05 of $338.2 million, which represents a rise in revenues from US$ 309.4 million in the 2003/2004 period. Operating expenses are forecast to be $328.2 million. The net surplus is forecast to be $473,000. As a result of the move to accruals, the fiscal forecasts include a balance sheet for the first time and show a forecast net worth position for the Government at the end of the 2004/05 period of $366.4 million. This figure is made up of forecast assets of $716.7 million, less forecast liabilities of $350.3 million. While asset category includes property, such as Crown land, roads, buildings and the government investment in statutory authorities and government companies, the liabilities consist mainly of borrowings and unfunded pension liability.[7]

## IV. Hurricane

16. In September 2004, the Cayman Islands were struck by Hurricane Ivan, one of the worst storms to hit the Caribbean in a decade. The storm caused extensive damage to housing and the infrastructure of the Territory. Power and water supplies were cut, telecommunications were down, thousands of people were left homeless and two islanders were killed.

17. Approximately 83 per cent of the housing in Grand Cayman suffered some degree of damage. The health and education sectors sustained financial damage of 19 million and 44.8 million Cayman Islands dollars (C$), respectively.[8] In the tourism industry, losses occurred in both the stay-over visitors and cruise ship sectors. The loss in stay-over tourism for 2004 amounted to C$ 72 million and has been forecast to amount to a further loss of C$ 82.8 million in 2005. The loss of revenue from cruise ship activity was estimated at C$ 25 million. It was estimated that 90 to 95 per cent of crops were destroyed in Grand Cayman. Damage from losses in the agricultural sector, including livestock and fisheries, was estimated at C$ 5.6 million. The total impact on the infrastructure sector was estimated at C$ 407 million, of which 70 per cent was direct damage to assets and the remaining 30 per cent was losses of revenue and increased operational costs. Insurance proceeds of C$ 274 million were expected across the infrastructure sector.

18. According to government sources, hurricane preparedness measures have paid off. In May 2004, the Public Works Department had carried out its annual hurricane preparedness exercise, and due to stringent building codes in the Cayman Islands, the infrastructure stood up to the storm. However, according to an official government report prepared in conjunction with the Economic Commission for Latin America and the Caribbean (ECLAC) and the United Nations Development Programme (UNDP), although the national hurricane committee was well prepared with designated shelters, shelter wardens assigned and a basic stock of supplies in place, "nothing could have prepared the population for the hurricane force winds of 155-200 mph and the eight foot rise in sea level which devastated everything in its path".[9] The impact of Hurricane Ivan on sectors of the economy is described in the respective chapters below.

# V. Economic conditions

## A. General

19. The Cayman Islands has one of the highest standards of living in the Caribbean. The economy is based on tourism and on the Islands' status since 1966 as an international offshore finance centre. The principal sources of government revenue are import duties, company, bank and trust licence fees, and stamp duties. There is no income tax, company tax or excise duty. Although imports outstrip exports by about 100 to 1, the visible trade gap is more than offset by invisible earnings from the tourism and financial services sectors.

20. According to the United Kingdom Foreign and Commonwealth Office, the gross domestic product (GDP) per capita is $36,271, the annual growth rate is 3 per cent and the annual inflation rate is 1.9 per cent. The Cayman Islands' major trading partners are the United States of America, the United Kingdom and the Caribbean Community.[16]

21. As was reported in previous working papers (A/AC.109/2003/9, paras. 23-29, and A/AC.109/2004/15, para. 23), in 2002 the Government of the Cayman Islands adopted a comprehensive plan entitled "The Cayman Islands: a centre of excellence for the twenty-first century" (2003-2005), and aims to refocus the economy and maintain a responsive institutional and legislative framework for such important areas as tourism, e-business, marketing and incentives. During 2004, the Government continued the implementation of its financial management reform initiatives and strategic objectives of the plan. According to the Financial Secretary, in 2003 the Cayman Islands experienced higher economic growth, lower unemployment and lower inflation than in 2002. The real GDP growth rose from 1.7 per cent in 2002 to 2 per cent in 2003. The unemployment rate decreased from 7.5 per cent in 2001 to 3.6 per cent in 2003. The economic recovery was expected to continue in 2004/2005.[17]

22. As reported above (see paras. 17-19), the effects of Hurricane Ivan, which hit the Territory in September 2004, were widespread across the economy. As a result, in late 2004 the Government was faced with a revenue shortage following a lack of receipt of duties on petrol and diesel following the drop in the demand for fuel due to the number of cars destroyed in the hurricane.[17]

## B. Agriculture, livestock and fisheries

23. Agricultural activities, although limited by infertile soil, low rainfall and high labour costs, have nearly doubled over the past five or six years, with 10 large farms totalling over 100 acres. Agricultural products include bananas, tomatoes, lettuce, honey, mangoes, citrus fruits, various vegetables and coconuts. Livestock rearing consists of beef cattle, poultry and pigs. Agriculture constitutes 1.4 per cent of the total GDP.

## C. Tourism

24. The tourism sector accounts for approximately 50 per cent of the Cayman Islands GDP and 27 per cent of employment in the Territory, and accrues revenue of C$ 30.7 million to government and statutory bodies.[13]

25. During the first half of 2004, the sector performed well, with air arrivals increasing to 181,254, indicating a 12.7 per cent increase from the same period in 2003. Cruise ship arrivals accounted for 1.1 million visitors in the first half of 2004, which was more than the total number of cruise arrivals in 2000. The above figures, which reflect expectations for the performance of the sector over the second half of 2004, were estimated before Hurricane Ivan.[14]

26. In the Throne speech delivered in July 2004, the Governor announced that in 2004/2005, Cayman Airways intended to introduce a second Boeing 737-300 into the fleet. In line with the Government's commitment to further increasing air arrivals by maintaining low fares and adding flights to existing and new destinations, the addition of the new aircraft will allow the airline to launch direct service to Boston, United States of America.[15]

27. The tourism sector sustained major losses due to Hurricane Ivan. The hurricane caused severe damage to properties through flooding and winds. Following the hurricane, the Government imposed travel restrictions to the Cayman Islands. Tourism activities ceased immediately following the hurricane and did not resume until mid-November 2004 (see also paras. 17-19 above).

28. The aftermath of the hurricane revealed that while major hotels had sufficient business insurance, few condominiums, apartments and guest houses had adequate insurance coverage. The ECLAC/UNDP report noted that although capacity constraints can often be followed by stagnation or a drop in tourism demand, such a drop in demand could be offset with an increased effort to implement the national tourism management plan and could actually lead to an improvement in the typical low occupancy rates that have, in the past, characterized the Cayman Islands tourism sector.[16]

## D. Financial services

29. The Cayman Islands remain among the top international financial centres (see A/AC.109/2003/9, paras. 41-50, and A/AC.109/2004/15, paras. 32-35). Along with tourism, the finance sector is one of the main pillars of the Cayman Islands economy. According to the Financial Secretary, in 2003 the sector demonstrated considerable growth. The total number of insurance licences in the Territory rose to 672, hedge fund registrations grew to 4,808 and stock listings increased to 735. Between 2002 and 2003, market capitalization rose by a healthy 20.9 per cent to US$ 43.9 billion. External assets of banks stood at $1.02 trillion in June 2003, up by $4.6 billion from the December 2002 position. Premiums for captives grew by $700 million in 2003 to $4.9 billion. With over half of the world's hedge funds registered in the Cayman Islands, the Territory remained the leader in this segment of the global financial market in 2003. Total company registrations increased to 68,078 in 2003, or by 2,819.

30. In contrast, there was a decline in the number of bank and trusts registered in the Cayman Islands in 2003 resulting from consolidations within the banking industry and the cost implications of establishing a physical presence in the Territory as required by law.[17]

31. The Cayman Islands Monetary Authority, a statutory authority, is the primary financial services supervisory and regulatory body in the Territory. In June 2004, the Authority announced that it expected to generate a surplus of approximately C$ 35 million for the Government through the 2004/2005 fiscal year.[18]

32. The European Union Savings Tax Directive, which requires disclosure of financial information in relation to European Union (EU) depositors or the imposition of withholding tax on bank interest paid to EU citizens, continued to be a difficult issue in the Cayman Islands in 2004. As noted in last year's working paper (A/AC.109/2004/15, para. 34) the Government of the Cayman Islands exerted considerable effort to resist the directive and agreed to implementation only upon obtaining from the United Kingdom certain undertakings to help safeguard the Cayman Islands economy. At the end of 2003, the British Government issued an ultimatum to the Territory to adopt the new directive by 20 February 2004 or face its imposition by the order in council. On 13 February 2004, the Territorial Government recommended the adoption of the directive to the Legislative Assembly. The opposition party, PPM, abstained from the vote and the directive was adopted. Implementation of the directive was scheduled for the beginning of 2005, but has been delayed due to non-compliance of other parties to the agreement.[19]

33. The issues related to the coming into force of the Savings Tax Directive were thoroughly discussed by the Governments of the Cayman Islands and the United Kingdom. The United Kingdom eventually offered the Cayman Islands tax concessions to counter fears within the Territory that the implementation of the directive would destroy its financial services industry. In recognition of the challenge which the directive presents to Territories with significant financial services sectors, the Foreign Office of the United Kingdom has appointed a dedicated officer to assist the Territories to apply for aid from the European Union with the view to improve economic development, and with a particular focus on the tourism infrastructure.[20]

34. According to the ECLAC/UNDP report, although the financial services infrastructure was badly damaged by Hurricane Ivan and the sector could not operate out of the Cayman Islands while communications were down, the sector was able to provide uninterrupted services by placing staff abroad in an efficient and immediate manner. However, the report indicated that it was not possible to assess the increased operating costs incurred through travel, relocation and the use of alternative communications and utilities. The quick response and immediate recovery of the sector, crucial to maintaining the financial centre's lead in the international market, was attested to by the fact that even during September, company registrations increased.[21]

## E. Infrastructure and transport

35. The road network of the Cayman Islands comprises approximately 225 kms of roadways, of which approximately 145 are primary and secondary roads with hot-

mixed asphalt surface, and approximately 80 are local and other minor streets with oilspray and chip surface.

36. The road network suffered extensive damage due to the hurricane. In some areas along the coast, entire sectors of the road were washed away by the storm.

37. There were approximately 34,500 motor vehicles in the Cayman Islands immediately before Hurricane Ivan struck in September 2004. According to the ECLAC/UNDP report, nearly one out of five private motor vehicles was rendered useless by the storm because of fallen trees and seawater and sand affecting their electrical components. The total losses sustained by the transport sector amount to C$ 194.9 million, of which 75 per cent was destruction of assets and 25 per cent due to increased operating costs. The report reveals that imports of vehicles, machinery and materials amounting to C$ 143 million will have to be made to restore the assets, but that about C$ 100 million in reinsurance proceeds may be received once the claims are processed and reimbursed.

38. The National Roads Authority Law (2004) was passed in June 2004. The Law sets up the new Authority, which has the responsibility of ensuring effective and efficient management of all public roads, including planning, design construction and management.[27]

39. As was reported in last year's working paper (A/AC.109/2004/15, para. 44), in an effort to create the appropriate infrastructure for the overall economic development of the Territory, the Government formed a Committee in 2003 to focus on the transportation system the 2025 National Road Plan.[27]

40. International air services are provided between Grand Cayman and the United States, Canada, Europe, Jamaica, Honduras and Cuba through more than 108 flights per week. Major United States and British airlines operate regularly to and from the Cayman Islands. Domestic airline services and charters operate between the sister islands of the Cayman Islands. The discussions about relocation of the airport at the beginning of 2004 became overshadowed by the hurricane in September.[28] Construction of an airport in Little Cayman began in 2004.

41. Hurricane damage sustained by the airport buildings infrastructure was estimated at C$ 1.1 million, and damage to associated air traffic buildings was estimated at C$ 4.2 million. The international airport was closed for two days during the hurricane. Temporary travel restrictions were imposed by the Government until November 2004 disallowing travel into the country by non-residents, excluding those involved with relief efforts.

42. The Airports Authority Law and the Civil Aviation Authority Law were both passed in June 2004. The laws divide the provision of air transport facilities and the regulation of their use.[29]

43. The port of George Town is the main gateway for cruise ships that carry tourists to the islands. The Cayman Islands are served by scheduled passenger liners and a number of locally owned or registered vessels that provide cargo services between the Cayman Islands and Miami, Tampa and Jamaica. In 2003, the port facilities in George Town supported 1,152 port calls made by 288 cargo ships, 852 cruise ships, 35 tankers and 4 government vessels. During that period, 1.6 million cruise ship visitors landed at the port. In March 2004, the Cayman Islands Port

Authority signed a loan agreement to fund the construction of the Royal Walter and the West Bay cruise terminals.[26]

44. According to the ECLAC/UNDP report, the existing port facilities suffered significant damage in the hurricane with the total impact estimated at C$ 3 million.[27]

## F. Communications

45. The Territory's continuing development as a leading international business centre is dependent on modern and reliable telecommunications and utility services. Until recently, Cable and Wireless was the exclusive provider of telecommunications services in the Cayman Islands. As was reported previously (A/AC.109/2003/9, paras. 51-53, and A/AC.109/2004/15, paras. 36-38), in mid-2003, the Government introduced competition into the telecommunications sector with the intention of its complete liberalization by April 2004. Since then, several telecommunications operations and infrastructure providers have entered the market, and Cayman Islands consumers have benefited from the resulting drop in the cost of services. At the same time, in 2004 Cable and Wireless filed an appeal against a ruling by the telecommunications industry regulator (the Information and Communications Technology Authority) that its pricing was anti-competitive by being too low and the Authority requirement that the company should raise some of its prices.[28]

46. As noted in paragraphs 29 to 34 above, the telecommunications sector was badly affected by the hurricane. The damage included flooding of telephone exchanges and underground and submarine fibre-optic cables and the collapse of three major telecommunications towers. At the same time, the continuation of some services throughout the storm and the fast recovery of basic services was evidence of the strength and quality of the services provided in the Cayman Islands. In order to expedite the resumption of services, some companies flew in portable generators.

47. The ECLAC/UNDP report estimates that the loss sustained by the telecommunications sector amounted to approximately C$ 79.5 million, of which 60 per cent was damage to assets and 40 per cent business losses. It is estimated that imports costing approximately C$ 40 million will have to be made to replace destroyed and damaged equipment; however, insurance proceeds are expected to amount to approximately C$ 69.2 million.[29]

48. In relation to the provision of utilities (A/AC.109/2004/15, para. 38), the Government reached an agreement with the Caribbean Utilities Company in June 2004 that will allow for the introduction of competition into the electricity industry while also granting the Caribbean Utilities Company a licence to operate in the Cayman Islands until 2024. The agreement contained a 4.7 per cent decrease in residential electricity rates from 1 October 2004.[30]

49. Hurricane damage was sustained by electricity installations, as well as transmission lines and distribution grids. Recovery was aided by the subregional Hurricane Action Plan, which included the assistance of teams from electrical enterprises in Barbados, Belize, Bermuda and the Turks and Caicos Islands. The total impact of the hurricane on the electrical sector of the Cayman Islands has been estimated at C$ 68.9 million, of which 41 per cent was damage to assets and

59 per cent was business losses. It is expected that imports amounting to C$ 22.6 million will be needed to aid recovery, however this will be offset by estimated reinsurance proceeds of C$ 48.5 million.[31]

## VI. Social conditions

### A. Human rights and immigration

50. The Territory is subject to several major human rights conventions to which the administering Power has acceded, including the European Convention on Human Rights, although the right of individual petition to the European Court of Human Rights does not extend to the Cayman Islands, at the request of the Cayman Islands Government. The Cayman Islands is the only United Kingdom Territory without a bill of rights (see A/AC.109/2002/7, para. 49, A/AC.109/2003/9, paras. 61-63 and A/AC.109/2004/15, para. 45). The draft Constitution presented for approval by the United Kingdom in 2003 includes a bill of rights, which will be scheduled for implementation when the appropriate legislation is in place. Media reports have noted that the absence of constitutional protection of fundamental rights is a matter of concern to the Government of the United Kingdom.[32]

51. In January 2004, the Immigration Law (2003) took effect. The new immigration law instituted a number of changes, including new requirements for people wishing to visit, reside, work, conduct business or study in the Cayman Islands.[33]

### B. Labour

52. According to the labour force survey released in November 2004, the labour force of the Territory comprised 23,453 people compared with 29,905 in 2003. The decline in the labour force is attributed to Hurricane Ivan. Compared with the figures accumulated in spring 2004, the post-Ivan figures represented a drop of 5,715, or 20 per cent. The number of working Caymanians in November 2004 was 11,444, while the number of non-Caymanians in the workforce was 10,976. In 2004, the unemployment rate was 4.4 per cent, compared with 3.6 per cent in 2003. The workforce includes nationals of 78 countries, with the greatest portion coming from Jamaica, the United States, Canada and the United Kingdom.[34]

53. The new Immigration Law (2003) that took effect in 2004 limits foreign workers in the Territory to a stay of between six months and seven years, depending on the category of employment. According to the supporters of the new law, the aim of the law is to stop foreign workers who enter the Territory with a one- or two-year work permit from staying for a "long or indefinite time". They consider that the limitation will be especially beneficial for young local lawyers seeking to enter the profession, as it will reduce competition from the outside, although some exemptions from the seven-year limit for foreign lawyers exist.[35]

## C. Education

54. Education is compulsory for all resident children who are between 4 years, 9 months, and 16 years of age. The Government is directly responsible for education within that age group. Two public institutions and one private school provide tertiary education. The Community College of the Cayman Islands is owned by the Government but is independently administered. The Cayman Islands Law School is also Government-owned, while the College of the Cayman Islands is private.

55. The public education system caters to about two thirds of Caymanian children, with the remainder attending fee-paying schools. The Government operates six primary schools, one middle school, two high schools and one alternative education centre on Grand Cayman, as well as three primary schools and one high school, which incorporates the middle school, on Cayman Brac. Tuition is free for Caymanians at those schools, but an annual book rental fee of 100 to 150 Cayman Islands dollars per student is charged. In addition, 10 private schools provide primary and/or secondary education. All private schools are monitored by the Education Department and receive grants from the Government.

56. As was reported in the previous working paper, the improvement of the standard of education was one of the Government's key policy initiatives for 2003/04. According to the strategic policy statement for the financial year 2003/04, the Government had planned to implement measures to ensure that 95 per cent of school leavers meet expected educational standards, that 90 per cent of all adults had basic language and numerical skills and that the number of adults undertaking vocational training had increased.

57. In the 2004 Throne speech, the Governor indicated that the Ministry of Education intended to introduce a comprehensive and modern Education and Training Law. The Ministry aimed to present the Education and Training Bill to the House in September 2005. In 2004, the Ministry also sought to build on its work in the improvement of the educational system through the continued implementation of the Improving Teaching and Learning in the Cayman Islands programme and the development of an educational strategy for technical and vocational education at the secondary and post-secondary levels, among other initiatives.[37]

58. In order to increase the capacity of government schools, a new primary school opened in 2004 and another is scheduled to open in September 2005. The further redevelopment of the Georgetown Primary School and the purchase of land and the design for a new high school is planned for delivery in September 2006. Plans for the construction of new pre-tertiary schools were also released during 2004. Unfortunately, progress on many of these initiatives was and will be delayed to varying degrees because of the damage caused to the existing educational infrastructure by Hurricane Ivan.[37]

59. Hurricane Ivan hit only a week and a half into the new school term. Several schools had recently undergone refurbishment for the new term and new books and uniforms had been purchased. As in many Caribbean nations, many of the buildings used as shelter from the hurricane were schools. All schools suffered some degree of damage from the storm, with the only two public secondary schools and one of the largest primary schools sustaining major damage. The financial damage to the sector amounted to C$ 44.8 million and 25 to 40 school days per student were lost.[38]

## D. Public health

60. The Health Services Department is responsible for the provision of all government health care, including public health services. In addition to general medical care, a wide range of specialist services are available locally. According to the administering Power, contraceptive services are provided free of charge, in addition to free antenatal service, which is already being provided for all residents irrespective of nationality. The Health Practitioners Board has responsibility for the registration of private practitioners. There is a 124-bed hospital in George Town. The facility includes a state-of-the-art, fully staffed accident and emergency room. There is also an 18-bed hospital on Cayman Brac and several district health centres and clinics. In 2000, there were 84 registered doctors and 14 dentists in the Cayman Islands.

61. In 2004, the Health Insurance (Amendment) Law was passed. Health insurance is compulsory in the Cayman Islands. The new Law restricts the issue of health insurance contracts to "approved insurers" licensed to do business in the Cayman Islands.[39]

62. Compared to the education and housing sectors, the health sector suffered the least damage from the hurricane. The damage to the health sector was estimated at C$ 19 million, of which direct damage to facilities and equipment amounted to 51 per cent and 49 per cent to indirect losses, including cleaning and the removal of debris, additional cost of staff services, losses due to the use of the facilities as shelters, additional public health services and losses due to lost income.[40]

## E. Crime and public safety

63. The Royal Cayman Islands Police Force comprises 295 officers and 40 support staff. It has a shortfall of Caymanian recruits and has officers seconded by the United Kingdom. Officers are also recruited from Jamaica, Belize, Barbados, Canada, Nicaragua, Trinidad and Tobago, Honduras, the Bahamas, Nigeria and the United States.

64. The strategic policy statement for the financial year 2003/04 outlines the following specific goals to ensure the safety and security of the Cayman Islands: an efficient and fair legal and judicial system; reduction in the levels of petty and serious crime; reduction in the rate of reoffending by convicted offenders; secure and humane custody of offenders with custodial sentences; and maintenance of appropriate border security and protection.

65. According to press reports, the number of crimes in the Territory increased during 2004. There was an 11.7 per cent increase in burglaries in the first half of 2004. The police attributed many of these burglaries to premises not being properly secured and appealed to both domestic and commercial owners to secure their properties.[41]

## VII. Relations with international organizations

66. The Cayman Islands, which had been an observer with the Caribbean Community, was approved for associate member status in February 2002 (see A/AC.109/2002/7, paras. 75 and 76).

## VIII. Future political status of the Territory

67. As was reported in last year's working paper, the issues of contention between the Territory and the United Kingdom with respect to future political status relate to some of the provisions in the Constitution, the degree of self-government and control over local affairs by elected officials, the role of the Governor, the impact of compliance by the Territory with the United Kingdom's international obligations, and the participation of the Territory in those international affairs that affect its interests.

68. During the period under review, the proposed constitutional changes continued to be discussed by the two major political parties. These issues include the following: the powers of the Governor and his ability to override democratically elected leaders; cessation of the Governor's complete control over any area of domestic affairs, such as financial services; making the leader of Government Business preside over the governing council in place of the Governor; increasing the legislature to 17 members elected from single member constituencies; creation of a Senate consisting of appointed members; changing the composition of the Cabinet to comprise seven elected members, moving to full ministerial government with the Governor appointing a Chief Minister and other Ministers on the advice of the Chief Minister; protection of the rights of the minority in the Legislative Assembly; inclusion of a Bill of Rights in the Constitution; provision for a citizen-initiated referendum and cessation of the United Kingdom's ability to legislate for the Cayman Islands, as well as to bind the Territory to agreements arising from the United Kingdom's obligations to the European Union.[42]

69. In his 2004 Throne speech, the Governor of the Territory stated that he believed it to be in the common interest of the United Kingdom and the Cayman Islands to continue to work towards constitutional reform. He expressed the hope that the issue of constitutional reform would be comprehensively debated during the upcoming election campaign and that the opportunity would be taken to "ascertain more clearly what proposals the electorate would like the new Government to make to London next year".[43]

70. Addressing the European Parliament in July 2004, the leader for Government Business stated that it was the goal of his Government to achieve full internal governance for the Cayman Islands. He noted that "whilst there is no desire to seek independence at this time, the Overseas Territories do want greater rights for self-determination".[44]

71. Another issue raised by the leader for Government Business was the lack of consultation by the United Kingdom with the Territories during negotiations on international agreements that affect the Territories. Speaking to the European Parliament, he voiced his Government's objections to the way in which the British Government approaches the application of international treaties to its Territories. However, he was pleased to note that in the 2004 Annual Report of the United

Kingdom Foreign Office, United Kingdom Ministers were encouraged to consult relevant Territories prior to agreeing to international agreements that will affect them. This issue was brought into focus following the negotiations on and the implementation of the European Union Savings Tax Directive, which significantly affects the Cayman Islands, but upon which the Cayman Islands Government was not consulted. The desire of the Government of the Cayman Islands for freedom from European Union directives is now an issue in the constitutional debate.[45]

72. In order to reach a common position on certain items that were to be brought before the 2004 Overseas Territories Consultative Council in August 2004, the Caribbean and Bermuda Territories held a Chief Ministers Conference in the Cayman Islands. During the Conference, issues of sovereignty and constitutional reform were discussed. In a joint statement, the Chief Ministers stated, "we have agreed on a common voice regarding our approach to constitutional progress in our territories. While acknowledging the fact that we each are at a different stage of constitutional reform, we nevertheless feel we have much to gain from collaboration in this regard." According to the media reports, the Chief Ministers were considering jointly employing constitutional experts. Other issues discussed during the Conference included: relations between the Territories and the United Kingdom; the role and development of the Overseas Territories Consultative Council; the development of a collective approach by the Territories to issues of common interest; security and terrorism issues; the environment, and in particular climate change; and the challenges posed to the region by HIV/AIDS.[46]

## IX. Position of the administering Power

73. In his statement at the third meeting of the Fourth Committee, on 5 October 2004 (see A/C.4/59/SR.3), the representative of the United Kingdom said that the United Kingdom again welcomed the opportunity, as administering Power for 10 of the 16 Territories on the United Nations list of Non-Self-Governing Territories, to update the Committee on developments since it had last met.

74. He stated that the partnership between the United Kingdom and its Overseas Territories had continued to develop. The sixth annual meeting of the Overseas Territories Consultative Council had been held in London in September 2004. The Council, which had been chaired by Bill Rammell, MP, Minister for the Overseas Territories, was the forum for dialogue between democratically elected Chief Ministers and their counterparts from the Territories and with United Kingdom Government Ministers. The meeting in 2004 again gave the opportunity for discussion on the relationship between the United Kingdom and the Territories, on constitutional modernization issues, on sustainable development, including good governance and environmental matters, and on other issues relating to the United Kingdom's international obligations.

75. The representative stated that Mr. Rammell had made useful visits to two of the Territories, the Falkland Islands (Malvinas) and the British Virgin Islands, over the past year. Those visits had enabled him to meet a range of people in the two territories and to get a better, first-hand, knowledge of them. He had also been able to have discussions on a wide range of issues with elected representatives in their own territories.

76. The United Kingdom, he pointed out, welcomed the progress that was being made in the constitutional review process. Useful and productive discussions had been held over the past year by United Kingdom officials with representatives of Montserrat, St. Helena and the Turks and Caicos Islands. In St. Helena, a draft Constitution had been prepared and wider consultation on it was under way. Constitutional reform proposals for Gibraltar had been tabled in December 2003. Dates had not yet been set for formal talks.

77. Conscious that resources were limited in a number of the territories, the Government of the United Kingdom was continuing to support projects in various fields to raise local capacity and to promote sustainable development and good governance. Projects ranged from economic diversification to the reform of legislation governing child and family welfare to a study on the alternatives to custodial sentencing.

78. He recalled that in 2003, the representative of the United Kingdom had said that additional funds had been expected to be provided by the Foreign and Commonwealth Office and the Department for International Development to support environmental work in the Territories and the implementation of the Environment Charters for the Overseas Territories signed in 2001. This joint Overseas Territories Environment Programme was funding 23 new projects in 2004 and 2005, of which three were multiterritory initiatives. These included habitat restoration, surveys of natural living resources and capacity-building for both government and civil society institutions.

79. Regrettably, he said, the Caribbean had again suffered badly from hurricanes and in the context of the Territories, he mentioned the devastation caused by Hurricane Ivan to the Cayman Islands, despite good local contingency planning. The United Kingdom had been able to provide some immediate help and other Territories and neighbouring States had also helped. The United Kingdom and the Cayman Islands were very grateful to all for their assistance. Although much remained to be done, encouraging steps were being taken to enable the Territory to return to normality. The Turks and Caicos Islands also had suffered quite extensive damage in part of the Territory a few weeks earlier.

80. The United Kingdom representative mentioned that in response to requests from some Overseas Territories for help in accessing European Commission economic, trade and development assistance, an official with responsibility for liaising with the Commission had been appointed last year to the Foreign and Commonwealth Office's Overseas Territories Department. He continued to work with several of the Territories in identifying and pursuing Commission development aid as provided for under the European Union-Overseas Countries and Territories Overseas Association Decision of November 2001.

81. The representative said that the United Kingdom continued its informal cooperation with the Special Committee of 24. The most recent involvement had been when a United Kingdom representative had attended and presented a paper on constitutional developments in the United Kingdom Territories at the Special Committee of 24 seminar in Papua New Guinea in May 2004. He stated that perhaps the most positive recent development was the proposal for a visit to Bermuda with a view to considering movement towards that Territory's delisting. He concluded by saying that the Secretariat was in touch directly with Bermuda on preparing for this.

# X. Consideration by the General Assembly

82. On 10 December 2004, the General Assembly adopted resolution 59/134 A and B without a vote. Section V of resolution 59/134 B is devoted to the Cayman Islands.

*Notes*

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